

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF U.S. 60 WATER DISTRICT)	
OF SHELBY AND FRANKLIN COUNTIES, KENTUCKY,)	CASE NO.
FOR AN ORDER APPROVING CONSTRUCTION,)	92-298
FINANCING AND CERTIFICATE OF PUBLIC)	
CONVENIENCE AND NECESSITY)	

O R D E R

By application filed July 17, 1992, U.S. 60 Water District ("U.S. 60") seeks authorization to construct a \$500,000 waterworks improvement project, for approval of its plan of financing for this project, and for approval of a surcharge for customers served by this project. U.S. 60 also requested a deviation from 807 KAR 5:066, Section 11(1), which requires that each utility shall make an extension of 50 feet to its existing distribution main without charge for a prospective customer who shall apply for and contract to use service for one year or more, and for approval of its special extension agreement.

On July 29, 1992, the Commission notified U.S. 60 that its application was deficient. Additional information was filed by U.S. 60 on August 5, 1992. On August 20, 1992, the Commission on its own motion scheduled an informal conference for August 28, 1992. During the informal conference issues related to U.S. 60's application were discussed in detail. U.S. 60 submitted additional information to justify its request on September 4, 1992. On October 12, 1992, the Commission by Order continued the financing

application beyond the 60-day period specified in KRS 278.300(2). A public hearing on this case was held on November 24, 1992. U.S. 60 testified that it has collected tap-on fees in the range of \$450 to \$550 from some of the potential customers in the proposed extension area, while its surcharge was based on a tap-on fee of \$400 per customer.

Project funding includes a loan in the amount of \$444,000 from Kentucky Infrastructure Authority ("KIA") and \$56,000 from applicants for service in the proposed area. The loan will be for a 20-year period at an interest rate of 8 percent per annum.

The proposed construction will provide water service to about 140 new customers. Plans and specifications for the proposed improvements prepared by Warner A. Broughman III and Associates of Lexington, Kentucky ("Engineer"), have been approved by the Division of Water of the Natural Resources and Environmental Protection Cabinet.

The Commission, having reviewed the evidence of record and being otherwise sufficiently advised, finds that:

1. The proposal presented by U.S. 60 includes a novel financing mechanism tailored by the applicant to the specific facts of its situation and is of a type which has not regularly been approved by the Commission.

2. Public convenience and necessity require that the construction proposed be performed and that a Certificate of Public Convenience and Necessity be granted.

3. The proposed construction consists of approximately 18.5 miles of 6- and 4-inch diameter pipelines, and related appurtenances. Construction cost will total \$389,386 which will require a total of approximately \$500,000 after allowances are made for fees, contingencies, and other indirect costs.

4. U.S. 60's request for approval of the special extension agreement should be granted.

5. U. S. 60's request for deviation from 807 KAR 5:066, Section 11(1), should be granted for this project.

6. U.S. 60's request for approval of a \$9.00 surcharge for customers served by this project should be granted subject to the conditions imposed by this Order.

7. U.S. 60 shall provide the Commission with the total amount of surcharges collected from the new customers six months after the first billing of customers on this extension, and update this information semi-annually thereafter until further Order of the Commission.

8. U.S. 60 shall only collect a \$400 tap-on fee per customer prior to the completion of the extension. Any customers of this extension that have already paid over \$400 shall be refunded the difference. After completion of the construction, any additional customers should pay the approved tap-on fee.

9. U.S. 60 shall monitor the adequacies of the expanded water distribution system after construction. If the level of service is inadequate or declining or the pressure to any customer is outside the requirements of 807 KAR 5:066, Section 5(1), U.S. 60

should take immediate action to maintain the level of service in conformance with the regulations of the Commission.

10. U.S. 60 shall obtain approval from the Commission prior to performing any additional construction not expressly certificated by this Order.

11. Any deviation from the construction approved shall be undertaken only with the prior approval of the Commission.

12. U.S. 60 shall furnish duly verified documentation of the total costs of this project including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.) within 60 days of the date that construction is substantially completed. Said construction costs should be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for Water Utilities prescribed by the Commission.

13. U.S. 60 shall require the provision of construction inspection under the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering, to ensure that the construction work is done in accordance with the contract drawings and specifications and in conformance with the best practices of the construction trades involved in the project.

14. U.S. 60 shall require the Engineer to furnish within 60 days of the date of substantial completion of this construction a copy of the "as-built" drawings and a signed statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications.

15. The financing plan proposed by U.S. 60 is for lawful objects within the corporate purpose of its utility operations, is necessary and appropriate for and consistent with the proper performance of the utility's service to the public and will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purpose. It should, therefore, be approved.

IT IS THEREFORE ORDERED that:

1. U.S. 60 be and it hereby is granted a Certificate of Public Convenience and Necessity to proceed with the proposed construction project as set forth in the drawings and specifications of record herein, on the condition that service levels be monitored and corrective action taken in accordance with Commission regulations.

2. U.S. 60's request for approval of the special extension agreement be and hereby is granted.

3. U.S. 60's request for a \$9.00 surcharge for customers served by this project be and hereby is granted.

4. U.S. 60's request for deviation from 807 KAR 5:066, Section 11(1), be and hereby is granted.

5. U.S. 60's financing plan consisting of a \$444,000 loan from KIA and a contribution from the applicants for service of \$56,000 is hereby approved. The financing herein approved shall be used only for the lawful purposes specified in U.S. 60's application. The Commission is approving the financing plan with

the express intention of reviewing this plan in operation on an ongoing basis.

6. Within 30 days of the date of this Order, U.S. 60 shall file with the Commission its revised tariff setting out the surcharge approved herein.

7. U.S. 60 shall comply with all matters set out in Findings 7 through 14 as if the same were individually so ordered.

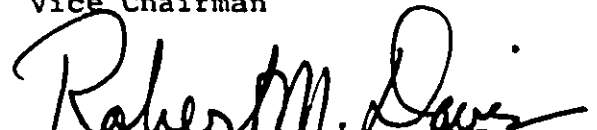
Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing herein accepted.

Done at Frankfort, Kentucky, this 18th day of December, 1992.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director